

# Arkansas Insurance Department

## CRIMINAL INVESTIGATION NEWSLETTER

Volume 14

2005 Review

**Mike Huckabee**  
Governor



**Julie Benafield Bowman**  
Insurance Commissioner

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Director .....Cory A. Cox

Deputy  
Director .....S.D. Roff

Chief Special  
Prosecutor.....Daniel Reber

Special Deputy  
Prosecutors .....Greg Sink  
.....Raymond Boyles

Investigators.....Bill Bryan  
.....Patrick O'Kelley  
.....Jacquie Harper  
.....Monty Vickers  
.....Brian White  
.....Ken Wilder  
.....Curtis Briggs

Fiscal/Support  
Manager.....Shirley Pegg

Case Mgmt.  
Analyst.....Faith Chamberlain

Administrative  
Assistants.....Evelyn Brown  
.....Debra Baker

Department  
Receptionist.....Candace Matlock

## MESSAGE FROM THE DIRECTOR

### Interview with the Commissioner

Julie Benafield Bowman, Insurance Commissioner of the State of Arkansas, Arkansas Insurance Department/Criminal Investigation Division. Recently, I had a chance to ask a few questions of the new Insurance Commissioner. The Commissioner is special to the Criminal Investigation Division because she was at one time an attorney in this division. She's also a pretty good shot with the 40 caliber Sig/Sauer Pistols that our investigators carry!

**Q: Commissioner, please, tell me a little about your background.**

**A:** First of all I'm proud to say that I'm a native Arkansan. I was educated in the public school system and obtained my undergraduate degree from Ouachita Baptist University, where I received a B.A. in political science and speech communications. I received my law degree from the University of Arkansas at Little Rock School of Law. I am the mother of a beautiful teenage daughter, Melissa, who's just received her driver's license. So I stay pretty busy and have a lot to think about these days!

**Q: You were the first attorney hired when the Fraud Division was created and as a result had a great role in creating the division. What was your vision for the division when you came on board?**

**A:** When I first began my career with the Arkansas Insurance Department, I arrived to the Department as a former prosecutor and therefore had a good deal of experience in criminal law. That experience was helpful in establishing a criminal investigation division, with the goal of prosecuting insurance fraud. My vision for the division then coincides with the division's current vision, and that is to prosecute insurance fraud and raise public awareness of the many detriments to this crime.

- To remove your name from our mailing list, please contact **Debra Baker at 501-371-2790**.
- Check our website at: **[www.fightfraud.arkansas.gov](http://www.fightfraud.arkansas.gov)**.
- Our toll-free hotline is **1-866-660-0888**.

## INTERVIEW WITH THE COMMISSIONER (CONTINUED)

It is important to point out that the focus of the division has expanded. When first established, the division concentrated primarily on workers' compensation fraud. Now the division investigates any type of insurance fraud and also possesses law enforcement powers, which allows for the issuance of arrest and search and seizure warrants.

**Q: You have had a tremendous focus on consumer education. What do you think consumers need to know about insurance fraud?**

A: I believe one of the reasons insurance fraud continues to escalate in America stems from a lack of understanding on how insurance fraud works and the economic impact this crime has on every insurance consumer. Most consumers do not know that insurance fraud, even when committed by someone other than themselves, increases the cost of insurance for virtually every insurance consumer. Consequently, it is the second most common crime in American being surpassed only by tax evasion. The sad truth is most consumers don't think of insurance fraud as a crime. They see submitting fraudulent claims and other illegal acts as a means to recoup some of the premium they've paid throughout the years. I intend to do everything I can to assist our Criminal Investigation Division and other law enforcement agencies in helping to reduce this costly crime through education and enforcement of the law.

**Q: What do you think is the most important issue facing the insurance consumer today?**

A: Studies show that consumers struggle with finding affordable insurance products and with understanding what they have purchased. Very often, when consumers do not understand what is covered in a policy the potential for abuse is increased. That's why we encourage consumers to "Check Before You Select." Our qualified staff at the Arkansas Insurance Department is ready and willing to answer any questions consumers may have about insurance related issues.

**Q: How do you like your job, so far?**

A: This is a terrific opportunity to serve the people of Arkansas. I love every minute of it.

*Cory A. Cox*



**Julie Benafield Bowman was appointed Insurance Commissioner on January 15, 2005, by Governor Mike Huckabee. Ms. Bowman is the second female Commissioner in the history of the Arkansas Insurance Department.**

# Changes to the Patriot Act Affect the Insurance Industry

*By Cory Cox, Director  
Arkansas Insurance Department  
Criminal Investigation Division*



It goes without saying that many things changed after September 11, 2001. One of the more notable and controversial changes was the implementation of the U.S. PATRIOT ACT. Section 352 of the Patriot Act changed provisions of the Bank Secrecy Act (BSA) to require financial institutions to implement anti-money laundering measures. The Patriot Act required the Secretary of the Treasury to promulgate rules and regulations regarding the various financial institutions that fall under the Patriot Act's purview.

Until recently, the Insurance Industry has been exempted from the provisions of the Patriot Act. That all changed on October 31, 2005, when the Department of the Treasury through the Financial Crimes Enforcement Network (FinCEN), released final rules that brought the insurance industry into the regulation of the Patriot Act.

Through these rules, the Treasury Department recognized the unique nature of many insurance products that they consider "low risk." As a result, the final rule establishes "covered products" that are subject to regulation. These covered products limit the scope of the Patriot Act coverage to 1) a permanent life insurance policy, other than a group life insurance policy; 2) an annuity contract, other than a group annuity contract; and 3) any other insurance product with features of cash value or investment.

As a result, all insurance companies issuing or underwriting products that fall within these areas are subject to Patriot Act Regulation. Insurance companies will be required to report any transaction conducted or attempted by, at or through the insurance company, involving or aggregating at least \$5,000 (in premium amount or potential payout) if the insurance company knows, suspects or has reason to suspect that the transaction:

- (a) involves funds derived from illegal activity or is intended to hide or disguise funds derived from illegal activity;
- (b) is designed, whether through structuring or other means, to evade the requirements of the BSA;
- (c) has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the insurance company knows of no reasonable explanation for the transaction after examining the available facts; or
- (d) involves the use of the insurance company to facilitate criminal activity.

The final rule requires a filing no later than 30 calendar days after the date of initial detection by the company. Furthermore, the companies offering covered products will be required to establish anti-money laundering programs that must include:

- (a) the development of internal policies, procedures and controls;
- (b) the designation of a compliance officer;
- (c) an ongoing employee training program; and
- (d) an independent audit function to test the programs.

FinCEN has noted that agents and brokers will not be required to establish their own anti-money laundering programs but instead are to be incorporated into a company's established program.

These changes are important due to the sheer amount of money involved in the insurance industry. There is, without a doubt, a great amount of money laundering that has gone undetected in the past. While I have outlined the final rules this is by no means meant to be an authoritative guide. Those with questions regarding these rules should contact their attorney or FinCEN. You can find FinCEN on the web at <http://www.fincen.gov>.



# CRIMINAL

**JANET TREADAWAY**, Garland County. Subject charged with fraudulent insurance acts, class D felony. Subject was charged as a result of her alleged loss of a diamond ring on September 6, 2003. Upon investigation, this was the same diamond ring claimed as lost in 2001. As a result of negotiations, subject paid \$6,400.00 in restitution to Farm Bureau Insurance and the felony charge against Mrs. Treadaway was dismissed, warrants recalled, and NCIC ACIC information was canceled.

**PEGGY PETERSON**, White County. Subject entered a plea of guilty to charges of Workers' Compensation Fraud, a class D felony and two (2) counts of failure to appear, a class C felony. Subject was sentenced to thirty (36) months in the Arkansas Department of Correction concurrently on all three (3) counts, ordered to pay \$300.00 court costs and given 82 days credit for time served.

**DETRICK WATSON**, Washington County. Subject was accused of applying for automotive insurance after having an accident, then returning that same day and filing a claim for the accident that had already occurred. Subject entered a plea of guilty to one (1) count of attempted theft of property, a class A misdemeanor. Subject was sentenced to twelve (12) months suspended with two (2) days credit for time served, \$1,000.00 in restitution and \$150.00 court costs.

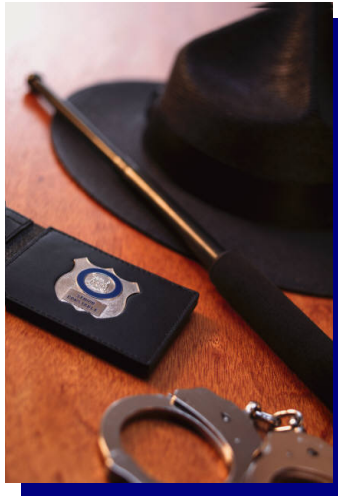
**ROY CARVER**, Saline County. Subject filed a claim with State Farm Insurance stating his truck was struck from the rear by an eighteen (18) wheeler. Mr. Carver offered Trudy Stevens ten (10) percent of any amount received in the case against State Farm Insurance if she would falsely testify that she saw the accident. Subject pled no contest to witness bribery, a class C felony. Subject received three (3) years probation, \$500.00 fine, \$250.00 DNA fee and \$250.00 court costs.

**DWIGHT SUTTERFIELD**, Stone County. Subject entered a plea of guilty to one (1) count of fraudulent insurance acts, a class D felony. Subject was receiving disability benefits from Hartford Insurance and provided false information concerning his activities, work status and income. Upon investigation, it was determined he was working as a patrol deputy/investigator for Van Buren County Sheriff's office. Subject was sentenced to six (6) years probation and ordered to pay \$31,598.00 in restitution within the probation period.

**FELCIA RUFUS**, Columbia County. Subject entered a plea of guilty to forgery in second degree, a class C felony. Subject created a fake insurance card then gave the card to her finance company. Subject received twenty-four (24) months probation, 50 hours of community service, \$150.00 court costs and \$250.00 attorney fees.

**BRADLEY BROUWER**, Sebastian County. Subject was accused of submitting several false receipts to State Farm Insurance as part of his claim for losses due to an alleged burglary. Subject entered a negotiated plea of guilty to one (1) count of fraudulent insurance acts, a class D felony. Subject received sixty (60) months suspended imposition of sentence, \$750.00 fine and \$150.00 court costs.

**LAMAY SOUKKASEUM**, Sebastian County. Subject was accused of obtaining insurance after an automobile accident and filed a claim falsely alleging the accident occurred the following day. Subject entered a negotiated plea of guilty to one (1) charge of fraudulent insurance acts, a class D felony. Subject was sentenced to thirty-six (36) months suspended imposition of sentence, ordered to pay \$750.00 fine, \$150.00 court costs and \$50.00 jail fee.



**CURTIS KAUFHOLTZ**, Ashley County. Subject was charged with theft of property a class B felony. Subject was charged with burning his truck to avoid paying for it. Subject entered a negotiated plea of guilty. Subject was fined \$100 and ordered to pay \$1250 in restitution to the insurance company and other expenses incurred during the investigation.

**TRISHANNA McCLENDON**, Saline County. Subject entered a negotiated plea of guilty to one (1) count of theft by deception, a class B felony. Subject was a licensed agent for Reginelli Insurance Agency in Benton. Her employer discovered that payment records had been altered to falsely reflect payments by both check and cash.

Upon investigation, it was discovered that the subject and another employee used various methods to cover misappropriations of premium funds and refunds. Subject was sentenced by the court to serve six and a half years (61/2) probation conditioned upon payment of a \$200 fine, court costs, restitution to State Farm Insurance in the amount of \$5,466.87, restitution to Matthew Reginelli in the amount of \$4,193.26 and a \$250 DNA fee. Restitution payments are to be paid at \$150 a month and restitution in the amount of \$1,000 was applied at the time of the plea.

**MELANIE EWING**, Saline County. Subject entered a negotiated plea of guilty to one (1) count of theft by deception, a class B felony. Subject was a licensed agent for Reginelli Insurance Agency in Benton. Her employer discovered that payment records had been altered to falsely reflect payments by both check and cash. Upon investigation, it was discovered that the subject and another employee used various methods to cover misappropriations of premium funds and refunds. Subject was sentenced by the court to serve five (5) years probation conditioned upon; payment of a \$200 fine, court costs, restitution to State Farm



# CONVICTIONS



Insurance in the amount of \$9,871.36, restitution to Matthew Reginelli in the amount of \$7,650 and a \$250 DNA fee. Restitution payments are to be paid at \$300 a month and restitution in the amount of \$1,000 was applied at the time of the plea.

**T. J. DAY**, Crawford County. Subject was a licensed agent who unlawfully diverted premium funds for personal use. Subject pled guilty to fiduciary duties of license a class B felony. Subject was given a five (5) year suspended sentence, \$1,500 fine, \$150 court costs, \$250 DNA fee and ordered to pay \$3,422.21 in restitution.

**WILLIAM C. BARNES, III**, Drew County. Subject entered a plea of guilty to one (1) count of attempted insurance fraud a class A misdemeanor. Subject was accused of filing a false claim for a two (2) carat diamond ring he claimed had been stolen. Upon investigation, subject admitted that the robbery never occurred. Subject was sentenced to twelve (12) months suspended imposition of sentence, \$1,000 fine and \$150 court costs.

**STEVEN GWINN**, Pulaski County. Subject was convicted of falsifying information on an Arkansas application stating that he had no prior criminal convictions. Subject was previously convicted of a federal felony for conspiracy to commit fraud. Subject was sentenced to serve two (2) years probation, \$250 fine and court costs.

**GARY PRICE**, Pulaski County. Subject worked for Acme Brick when he allegedly sustained a back injury. Subject filed a worker's compensation claim and knowingly made a false statement under oath to a representative of Saint Paul Insurance Company stating his hobby was car racing but that he had not raced since the accident when in fact he had. Subject pled guilty to false swearing, a class A misdemeanor. Subject was sentenced to one (1) year probation, fifteen (15) hours of community service, \$400 fine and court costs.

**ANNICK MALVIN**, Pulaski County. Subject pled guilty to insurance fraud a class D felony. Subject reported her car stolen when the car in fact, was not stolen. Subject's car was in a hit and run accident the day before she reported the theft. Subject received two (2) years probation, \$35 a month probation fee, twenty (20) hours of community service to be completed within six (6) months.

**AMANDA GRAY**, Pope County. Subject was a licensed agent that stole premiums. Subject entered a plea of guilty to theft of property, a class C felony. Subject received a thirty (30) month suspended imposition of sentence, \$850.00 fine, \$250.00 DNA sample fee, \$150.00 court costs and \$2,901.41 in restitution.

**ANTHONY KING**, Pulaski County. Subject charged with altering or changing an engine or numbers. Subject entered a plea of guilty to one (1) count of theft by receiving. Subject was sentenced to ten (10) years in the Arkansas Department of Correction with seven (7) years suspended on the condition that he pay restitution to Nationwide Insurance Company in the amount of \$7,071.95.

**ANGELA JOHNSON**, Pulaski County. Subject was in an automobile accident and submitted an inflated and forged wage/salary verification form to USAA Insurance. Subject entered a plea of guilty to committing fraudulent insurance acts, a class D felony. Subject was sentenced to sixty (60) months probation, a probation fee of \$25.00 a month, 100 hours community service, \$250.00 DNA fee and court costs.

**TINA ROBINSON**, Pulaski County. Subject presented false documentation as proof of insurance to Car Mart when she did not have coverage. Subject entered a plea of guilty to second degree forgery, a class B felony. Subject received two (2) years probation, \$300.00 fine, \$250.00 DNA fee and court costs.

**LARRY WALKER**, Pulaski County. Subject applied to participate in the business of insurance after being convicted of a felony involving dishonesty and breach of trust. Subject entered a plea of guilty to criminal attempt to violate the fraud insurance act, a class A misdemeanor. Subject was fined \$350.00 and ten (10) days of community service.

**MICHAEL GATES**, Craighead County. Subject was part of a fraud ring operating in Jonesboro. Subjects filed multiple claims against AFLAC Insurance based on forged medical records for injuries that never occurred. Charges are still pending in Craighead County against three (3) alleged co-conspirators. Subject entered a negotiated plea of guilty to fourteen (14) counts of fraudulent insurance acts, a class D felony, nine (9) counts of theft of property with a value of more than \$2,500.00, a class B felony, one (1) count of hot check violation a class C felony and one (1) count of failure to appear, a class C felony. Subject was sentenced to serve one-hundred (144) months in the Arkansas Department of Correction (ADC) on one (1) count of theft of property and one-hundred twenty (120) months total SIS concurrently on the remaining counts. Subject was ordered to pay \$23,533.69 in restitution at the rate of \$200.00 a month, beginning ninety (90) days after his release from ADC. The court made a finding as part of the order of judgment/commitment that he actually owed \$199,746.67 to AFLAC Insurance of which would not be a condition of probation but would remain subject to civil collection remedies.



## Arkansas Insurance Department Issues A Reminder of Statutory Requirements Regarding Certificates of Title Upon Payment of Water Damage for Motor Vehicles

**On November 17, 2005, Commissioner Julie Benafield Bowman issued Bulletin 11-2005 regarding water damaged vehicles in the State of Arkansas.**

In the wake of the catastrophic property damage occurring during the 2005 and 2004 hurricane seasons, the Department has received information indicating that owners may be selling cars and other vehicles without disclosing the fact that the vehicle has been damaged by water. The purpose of this Bulletin is to remind insurers of the requirements of Arkansas Code Annotated Section 27-14-2301 et seq., which defines "water-damaged" insured motor vehicle for purposes of requiring a "damaged" certificate of title.

Section 27-14-2302 (a) states: *"When a motor vehicle is water-damaged or sustains damage in an amount equal to or exceeding seventy percent (70%) of its average retail value, ...the owner or insurance company if it obtains ownership of the vehicle through transfer of title as the result of a settlement of an insurance claim, shall forward the properly endorsed certificate of title to the office [Office of Motor Vehicles Division of the Arkansas Department of Finance and Administration] together with a fee in the amount now or hereafter prescribed by law for the registration and issuance of a certificate of title."*

Proper notification to the Office of Motor Vehicles by insurers allows a vehicle title to be identified properly and puts the end purchaser on notice of past vehicle use, defects, damages, and restrictions regarding sale and transferability. This is especially important given the many losses to motor vehicles sustained during the 2004 and 2005 hurricane seasons. The owner or insurance company, as the case may be, may not dispose of a motor vehicle that is water-damaged before it has obtained a damage certificate from the Office of Motor Vehicles. Willful violations of these provisions of Arkansas law are punishable as misdemeanors. (See Ark. Code Ann. § 27-14-2304). In addition, the Department may take administrative action, as it may deem necessary, against licensed insurers violating these requirements.

Questions concerning this Bulletin should be directed to the Arkansas Insurance Department Legal Division at 501-371-2820 or e-mail to [Legal.Division@arkansas.gov](mailto:Legal.Division@arkansas.gov).

For more information on flood-damaged vehicles, see the Consumer Alert of September 23, 2005, issued by the Consumer Protection Division of the Arkansas Attorney General's Office. The Consumer Alert entitled "Attorney General Warns Arkansans of Flood Damaged Vehicles" can be found at [www.ag.state.ar.us](http://www.ag.state.ar.us).

Interested persons can also visit: [www.NICB.org](http://www.NICB.org) to search the National Insurance Crime Bureau's database for vehicles and watercraft affected by Hurricanes Katrina and Rita.



## Meet Our New Director

**T**he mountains of the Ouachita National Forrest were the skyscrapers of my childhood and the sloughs of the Fourche River Valley were the alleyways. Growing up in the small town of Perryville, I learned lessons from my family and the community that helped shape my life today. My grandparents taught me hard work on their farm. My parents taught me values by the way they lived their life. The community taught me a sense of identity as I watched a working class, rural community come to grips with life in the 20<sup>th</sup> century. They all taught me the importance of an education. As a result of their influence, I am a graduate of Perryville High School, Arkansas Tech University and the William H. Bowen UALR School of Law.

Prior to joining the Criminal Investigation Division, I served five (5) years as staff attorney for Governor Mike Huckabee. In that role, I advised the Governor on criminal justice and various regulatory issues. It was through my job at the Governor's Office that I met my wife, Jill who worked for the Governor in the area of public relations. Governor Huckabee officiated our wedding ceremony on December 22, 2001.

I joined the Criminal Investigation Division on June 6, 2005. I quickly realized that the staff of this division was top notch and you could not have a better group of people to work with. I must say that those feelings extend to the entire Insurance Department, especially Commissioner Julie Bowman and her administrative staff. I have found that they all are generous, kind and eager to help. If I have any strength as a director, it is in the people that I work with day in and day out. I look forward to learning more from them in the future.

In my spare time, I like to hunt, fish and occasionally play golf. I also enjoy music and playing the guitar. Jill and I do not have children but we do have one incredibly spoiled Labrador Retriever named "Dixie" who is named after Chick Major's legendary Dixie Mallard duck call.

*Cory A. Cox*



[www.fightfraud.arkansas.gov](http://www.fightfraud.arkansas.gov)





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